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**RE: Ontario Securities Commission Notice 11-771 – Statement of Priorities**

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FAIR Canada is pleased to offer comments on Ontario Securities Commission's ("OSC") Notice 11-771 – Statement of Priorities for the financial year to end March 31, 2016 (the "**2016 Draft Priorities**"), published on April 2, 2015.

FAIR Canada is a national, charitable organization dedicated to putting investors first. As a voice of Canadian investors, FAIR Canada is committed to advocating for stronger investor protections in securities regulation. Visit [www.faircanada.ca](http://www.faircanada.ca) for more information.

1. **Executive Summary of Recommendations to the OSC**

- 1.1. We recommend that the OSC commit to publishing a framework for introducing a statutory best interest standard in 2015-2016.
- 1.2. FAIR Canada urges the OSC/IIROC/MFDA to publish the results of the mystery shop research sweep of advisors to all stakeholders, including the investing public, as it is long overdue.
- 1.3. We recommend that the OSC ensure that the mutual fund fee research is completed in a timely manner and ensure that appropriate regulatory steps (i.e. propose a ban on embedded commissions) are taken as a result of the research findings.
- 1.4. FAIR Canada believes that disclosure is important and that the point of sale initiative is a worthwhile endeavour. However, disclosure is not a panacea for the existing gaps in financial consumer protection. We caution regulators against relying solely on disclosure and encourage continued progress on initiatives aimed at bolstering protection for retail financial consumers. FAIR Canada recommends that members of the CSA consider the findings made in the area of behavioural economics, both in terms of improving summary disclosure documents and in considering how to ensure adequate investor protection.

- 1.5. FAIR Canada recommends that investor testing of the summary disclosure documents be conducted subsequent to implementation of pre-sale delivery in order to ensure that the summary disclosure documents meet their disclosure objectives by assisting investors in their decision-making process. We also note it is imperative that such investor testing ensure the summary disclosure documents are understood and used by investors as anticipated and expected.
- 1.6. FAIR Canada believes the OSC should focus on the quality of capital formation given its mandate “to foster fair and efficient capital markets and confidence in capital markets”. The OSC therefore must assess the quality or efficiency of the market (including the exempt market) rather than the amount of capital raised or increased accessibility.
- 1.7. FAIR Canada urges the OSC to provide a regulatory framework for the exempt market which provides for strong investor protection and efficient markets. Such a regulatory framework will facilitate true (i.e. quality) capital formation, resulting in a lower cost of capital and increased confidence in our markets.
- 1.8. We are of the view that the exempt market initiatives move forward at a faster pace and seemingly in the absence of the rigorous research that has been required for the investor protection initiatives. FAIR Canada recommends that new prospectus exemptions for retail investors not be introduced in the absence of a thorough analysis of the implications (both positive and negative) on capital formation and investor protection, including empirical testing of proposed measures that are to provide protection to investors such as a risk acknowledgement form.
- 1.9. We support the generation of much needed data to inform the policy-making process with respect to the exempt market. The data should be gathered and utilized to determine whether regulatory changes to the exempt market, such as new prospectus exemptions, are desirable. Changes to the report of exempt distribution are urgently needed so that regulators can collect the basic information required to understand this area of the capital markets and regulate effectively with sufficient data for sound policy decisions.
- 1.10. In light of the OSC’s priorities aimed at expanding prospectus exemptions further, we recommend that the OSC also commit to ensuring adequate oversight of the exempt market by ensuring that additional compliance and enforcement resources are available to deal with the anticipated increase in compliance deficiencies and to address issues with enforcement action where warranted.
- 1.11. FAIR Canada recommends that the OSC commit to conduct a compliance audit of all registrant firms within a given time period.
- 1.12. FAIR Canada encourages the OSC and other regulators to institute a whistleblower program. We also encourage the OSC to prioritize the collection of better information about investors’ experience with investment fraud and publicize the same.

- 1.13. We recommend that the OSC work with its CSA colleagues to develop a better registration check system.
- 1.14. FAIR Canada recommends that the OSC add improvement of the investor dispute resolution system as a priority for 2015-2016, to ensure that the system provides a meaningful service for retail investors.
- 1.15. FAIR Canada supports the OSC's efforts to enhance the transparency and regulation of the fixed income market. Retail investors are important participants in fixed income markets but are disadvantaged given its opacity. We welcome steps to enhance regulation in order to improve market transparency in this regard and better protect investors' interests.

## 2. **General Comments**

- 2.1. Through this consultation, the OSC provides an important opportunity for stakeholder engagement. While recognizing that it is legislatively required to consult, we acknowledge and appreciate the OSC's transparency in this regard and urge other securities regulators to similarly consult publically on their priorities.
- 2.2. FAIR Canada recognizes the OSC for its commitment to investor protection, its dedication to working at an international level through the International Organization of Securities Commissions (IOSCO) to promote stronger international market conduct standards that benefit both investors and market participants, and its willingness to evolve in order to obtain more efficient and effective regulation of the capital markets.
- 2.3. FAIR Canada recognizes the OSC's efforts to improve and enhance cooperation with respect to securities regulation and capital markets in Canada. We refer you to our letter dated December 8, 2014<sup>1</sup> regarding key points that current and future governments and regulators are encouraged to incorporate as essential components of any cooperative regulatory scheme designed to provide adequate investor protection while at the same time ensuring that the Canadian securities markets operate as efficiently as possible.

### ***Harmonization***

- 2.4. We urge the OSC (and all regulators) and governments to approach harmonization (whether as part of the cooperative capital markets regulatory regime or otherwise) with the goal of furthering the key mandate of investor protection and to not engage in a harmonization process at the expense of adequate investor protection.

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<sup>1</sup> FAIR Canada's letter dated December 8, 2014, *Cooperative Capital Markets Regulatory System – Governance and Legislative Framework*, available online at <http://faircanada.ca/wp-content/uploads/2011/01/141208-FAIR-Canada-final-comments-on-draft-CCMR-legislation.pdf?a5a307>.

### ***Challenges Investors Face***

- 2.5. Expectations that the OSC will support and protect investors arise from its core mandate, and the evolution of the environment in which the OSC operates (in particular, the increasingly aging demographic, the increasing complexity of markets, the decline of employer-sponsored pension plans and the increasing complexity of investments). In addition, these expectations exist given the fact that investor education and disclosure do not sufficiently address the issues investors face.
- 2.6. In our view, the 2016 Draft Priorities does not describe in a fulsome manner the challenges faced by the investing public, and is inaccurate in its outline of the environment faced by Canadian investors. While some investors may be knowledgeable enough to be “seeking an environment where reliance on their advisors is well-placed, the advice being provided is suitable, and any conflicts are managed appropriately”<sup>2</sup>, most investors believe that their ‘advisor’ is acting in their best interest, and have a lack of awareness (and understanding) of the conflicts of interest that exist and their impact on what passes for ‘suitable’ recommendations. This is true for investors sold exempt market products as well as for investors sold regulated investment products such as mutual funds, ETFs, or structured products. Most retail investors invest through an advisor and rely heavily on their recommendations, with the reasonable expectation that the “advice” they receive will be in their best interests. This expectations gap should not be allowed to continue to exist as it results in poor outcomes for investors through risky leveraged investing, poor investment recommendations and high fees.

### ***Alignment of Interests of Advisors and Investors***

- 2.7. We commend the OSC for recognizing that in order to improve investor protection, a key step is to address the misalignment of the interests (or incentives) of advisors and their firms with those of the investing public. Investors deserve to receive advice that is unbiased and of high quality. Investors also deserve to be assured that the conflicts of interest that lead to misaligned incentives (such as embedded trailing commissions and other conflicted remuneration or compensation structures) will be removed to ensure the advice provided is aligned with investors’ interests, leading to better outcomes for investors.
- 2.8. The OSC should work with other regulators to ensure that those individuals nearing retirement obtain advice in their best interests regarding pension plan assets that they have accumulated over the course of their working years. The movement of pension assets to other retirement vehicles is of great significance and should only occur if it is in the best interests of the individual. This is an issue that needs addressing on an urgent basis.
- 2.9. We agree that improving standards of financial advice, raising competency and increasing transparency regarding advice are important for achieving a better alignment of the interests of firms and investors. In FAIR Canada’s view, a statutory best interest standard, that addresses

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<sup>2</sup> Ontario Securities Commission *Ontario Securities Commission Notice 11-771 – Statement of Priorities: Request for Comments Regarding Statement of Priorities for Financial Year to End March 31, 2016*, at p 2; available online at [https://www.osc.gov.on.ca/en/SecuritiesLaw\\_sn\\_20150402\\_11-771\\_rfc-sop-end-2016.htm](https://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20150402_11-771_rfc-sop-end-2016.htm).

issues such as low proficiency and the profound conflicts that exist, is of critical importance to protecting the investing public, improving the economic well-being of Ontarians and having fair and efficient capital markets. Existing regulatory requirements and industry practices (including Phase 2 of the Client Relationship Model which will be phased in over the next few years) do not provide adequate protection for consumers of financial services. FAIR Canada urges that a statutory best interest standard be implemented.

2.10. We are pleased to see that the Ontario Government has empanelled four highly qualified experts to review the regulation of financial planners and advisors in Ontario and we look forward to the results of the panel's work. A key problem is that the current compensation structure centers on transactional compensation which incentivizes the sale of products. The current system does not serve well-intentioned financial planners or consumers well and does not encourage the emergence of a true financial planning profession. A person (or his or her firm) should not be permitted to hold out as a professional who provides financial advice unless they provide advice that is unbiased, not in conflict with the client's best interests, and meets the minimum uniform level of proficiency.

***Actual Action Needed on Investor-Protection Priorities***

2.11. Given the number and scope of items on the OSC's regulatory agenda, FAIR Canada urges the OSC to not lose focus on key investor-related priorities that it has commenced. We express some concern with the lack of progress with respect to some investor-focused regulatory priorities. In particular, the best interest standard project, which is a critical investor protection initiative, has lacked sufficient momentum. Over two years have passed since the initial consultation. Given the length of time, the expected outcomes for the 2016 Draft Priorities of: an "[a]nalysis of approaches for creating a best interest duty completed", "[p]roposals developed to amend NI 31-103" and "Staff Notice of compensation review findings including expectations for compliance and best practices", are disappointing and fall short a real commitment to action.

2.12. While we applaud the gathering of further research on advisor compensation practices in this initiative (along with the mutual fund fee reform initiative) no real steps, such as publishing a framework for introducing a statutory best interest standard, is enunciated. As a result, the proposed expected outcomes in the 2016 Draft Priorities appear more incremental than that contained in last year's draft Statement of Priorities which was: "[r]esearch on best interest duty is completed and preliminary recommendations published".

2.13. We encourage the OSC to ensure that the mutual fund fees project is completed within the timeframe allotted and to react to the results in a timely manner with proposals to address the issues identified.

2.14. FAIR Canada appreciates that consultation takes time as issues are complex and have to be carefully analysed and reviewed. This results in some initiatives taking considerable amounts of time to go from a concept to implementation stage. We also agree that regulatory choices can have fundamental and profound impacts on industry. However, it is also worth explicitly stating

that regulatory choices and inaction can have fundamental and profound impacts on the investing public. The costs of inaction, and of keeping with an inadequate status quo must be considered, too.

### **3. Best Interest Standard Needed**

- 3.1. **We recommend that the OSC commit to publishing a framework for introducing a statutory best interest standard in 2015-2016.** In its stead, the OSC has indicated it will have completed an “analysis of approaches for creating a best interest duty”. This should have been completed long ago.
- 3.2. The expected outcomes of “targeted regulatory reforms under NI 31-103 to improve the advisor/client relationship” and an analysis of advisor compensation practices that are inconsistent with current regulatory requirements may be a step in the right direction. However, they are not sufficient. A best interest standard would result in:
- Adequate protection for consumers
  - More and better choices for consumers
  - Better financial outcomes for consumers
  - More effective competition
  - Increase in professionalism in the financial services industry and
  - Increase in the level of trust in the financial services market.
- 3.3. **FAIR Canada urges the OSC/IIROC/MFDA to publish the results of the mystery shop research sweep of advisors to all stakeholders, including the investing public, as it is long overdue.** We commend the OSC and self-regulatory organizations for engaging in this exercise and encourage them to continue to use this tool to gain unbiased insights into the experience of retail consumers.

### **4. Mutual Fund Fee Reform**

- 4.1. We commend the OSC for leading this CSA initiative and for persisting to overcome the challenges presented in obtaining the necessary data from industry in order to have the research conducted.
- 4.2. While FAIR Canada continues to be of the view that existing evidence and research demonstrates the influence of trailing commissions and other compensation structures on mutual fund sales and investors’ long-term outcomes, we are nevertheless pleased to see progress on this project.

- 4.3. Conflicts of interest are systemic and structural and have considerable consequences for the investing public. We applaud securities regulators for recognizing this issue in the context of mutual fund fees.
- 4.4. We encourage the OSC to ensure that the mutual fund fees project is completed within the timeframe allotted and to react to the results in a timely manner with proposals to address the issues identified. **We recommend that the OSC ensure that the mutual fund fee research is completed in a timely manner and ensure that appropriate regulatory steps (i.e. propose a ban on embedded commissions) are taken as a result of the research findings.**

## 5. Better Disclosure

- 5.1. Summary Disclosure for Investment Funds – FAIR Canada supports the introduction of a summary disclosure document, which is to be received **before** the decision to invest is made, for mutual funds, ETFs and other investment products such as structured notes or group scholarship plans.
- 5.2. Risk Classification Methodology – We support the proposed action to introduce a mandated risk classification methodology. We support the introduction of a mandated methodology that conveys risk to investors and recommend that the principles and best practices of the IOSCO’s Point of Sale Disclosure be followed.<sup>3</sup>
- 5.3. FAIR Canada believes that disclosure is important and that the point of sale initiative is a worthwhile endeavour. However, disclosure is not a panacea for the existing gaps in financial consumer protection. **We caution regulators against relying solely on disclosure and encourage continued progress on initiatives aimed at bolstering protection for retail financial consumers. FAIR Canada recommends that members of the CSA consider the findings made in the area of behavioural economics, both in terms of improving summary disclosure documents and in considering how to ensure adequate investor protection.**
- 5.4. **FAIR Canada recommends that investor testing of the summary disclosure documents be conducted subsequent to implementation of pre-sale delivery** in order to ensure that the summary disclosure documents meet their disclosure objectives by assisting investors in their decision-making process. We also note it is imperative that such investor testing ensure the summary disclosure documents are understood and used by investors as anticipated and expected.

## 6. Exempt Market

### ***New Exemptions and Lack of Data and Analysis***

- 6.1. FAIR Canada believes that the OSC should focus on the quality of capital formation given its mandate “to foster fair and efficient capital markets and confidence in capital markets” and

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<sup>3</sup> Refer to FAIR Canada’s submission dated March 12, 2014, *CSA Notice 81-324 and Request for Comment – Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts*, available online at <http://faircanada.ca/wp-content/uploads/2011/01/FAIR-Canada-comments-re-CSA-risk-classification-methodology-proposal.pdf?3a8f0a>



must assess the quality or efficiency of the market (including the exempt market) rather than the amount of capital raised or increased accessibility.

- 6.2. FAIR Canada urges the OSC to provide a regulatory framework for the exempt market which provides for strong investor protection and efficient markets. Such a regulatory framework will facilitate true (i.e. quality) capital formation, resulting in a lower cost of capital and increased confidence in our markets.
- 6.3. We are of the view that the exempt market initiatives move forward at a faster pace and seemingly in the absence of the rigorous research that has been required of the investor protection initiatives.
- 6.4. Family, Friends and Business Associates (FFBA) Exemption - FAIR Canada cautions that this exemption is difficult to police and is widely abused in other jurisdictions in Canada. We are disappointed that Ontario chose to harmonize with other jurisdictions and adopt this exemption in light of the abuses seen, and the practical difficulties in ensuring compliance (including the need for staff at the OSC to track compliance). We are also disappointed that various measures (such as limiting the offering size, prohibiting advertising, prohibiting the use of registrants or finders, excluding complex or novel securities and the prohibition on the payment of finder's fees or similar payments to any person) have been removed in the interests of harmonization.
- 6.5. **We also express concern that regulators have chosen to rely on a risk acknowledgement form (for this and other exemptions such as the Accredited Investor<sup>4</sup> exemption) and have done so without any empirical testing to determine whether it helps protect investors without any sound explanation for skipping such an important step. We urge regulators to perform adequate empirical research prior to reliance on such disclosure.** The costs of being wrong in 'believing', in the absence of any testing, that this will provide some level of protection to investors are significant and a significant amount of the costs fall squarely on investors.
- 6.6. The Offering Memorandum ("OM") Exemption - FAIR Canada expresses concern that the OSC is proposing to implement an OM exemption given the widespread, serious defects in the OMs used in other jurisdictions in Canada and in light of the extensive non-compliance by registrants, and media reports of frauds linked to OMs and retail investor complaints of serious losses as a result. We urge the OSC to not simply harmonize with other jurisdictions and to implement safeguards in order to provide some level of investor protection.
- 6.7. Equity Crowdfunding – FAIR Canada believes that the OSC's proposed crowdfunding concept results in too large a degree of informational asymmetry, too great a risk of fraud and investor harm and too great a chance of investor losses. We therefore believe the proposed crowdfunding concept will yield neither efficient markets nor the desired benefits that its

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<sup>4</sup> We also encourage the OSC to review the definition of AI since its current definition fails to identify a class of individuals who have the financial sophistication to understand the risks and merits of such offerings or the wealth to withstand loss.



proponents argue it will achieve. We expect that, instead, it will undermine investor confidence in the Canadian capital markets.

- 6.8. FAIR Canada notes that there is little information available in respect of the exempt market upon which important policies are being determined. As a result, policy is being formed without a thorough analysis of the implications – both economic and on investors. Many assumptions are made but are unable to be tested. We are concerned that the above-noted initiatives are being pushed through in the absence of key information inputs needed in order to make a well informed decision.
- 6.9. Where exemptions that are currently in use in other jurisdictions (particularly in other Canadian provinces) are contemplated, we would like to see regulators provide fulsome information about investor experience with such exemptions in the consultation materials. What types of investors purchase in reliance on the exemption, what are investors' outcomes, what is the incidence and prevalence of investor harm from unsuitable and fraudulent exempt market investments, etc.
- 6.10. **FAIR Canada recommends that new prospectus exemptions for retail investors not be introduced absent a thorough analysis of the implications (both positive and negative) on capital formation and investor protection.**
- 6.11. Data on Exempt Market – We support the generation of much needed data to inform the policy-making process with respect to the exempt market. The data should be gathered and utilized to determine whether regulatory changes to the exempt market, such as new prospectus exemptions, are desirable. **Changes to the report of exempt distribution are urgently needed so that regulators can collect the basic information required to understand this area of the capital markets and regulate effectively with sufficient data for sound policy decisions.** Several academics and FAIR Canada have called on regulators to improve their understanding of the exempt market by collecting better data. FAIR Canada urges the OSC to lead the way in implementing this requirement.

### ***Serious Compliance Issues***

- 6.12. FAIR Canada seriously questions how the proposed outcomes of “significant areas of non-compliance identified are appropriately addressed by registrants. Reduction in non-compliance by registrants”, and “Improved ability to monitor exempt market activity more efficiently”, will be achieved. The evidence available (primarily as a result of regulatory sweeps and reviews) suggests a multitude of problems with the existing prospectus exemptions. We are concerned that despite the terrible compliance track record, the OSC is intent of expanding the expanding the pool of retail investors to whom prospectus-exempt securities may be sold.
- 6.13. Additional resources must be brought to bear to ensure compliance with the existing rules, before expanding the exempt market further. Measures that assist in improving compliance and provide investor protection must be implemented. For example, given the widespread problems that regulators have uncovered with unqualified investors being sold exempt market products in reliance on the Accredited Investor exemption, third party independent

certification (even if based on a financial test) should be required, in order to help protect investors.

- 6.14. In light of the OSC's priorities aimed at expanding prospectus exemptions further, **we recommend that it also commit to ensuring adequate oversight of the exempt market by ensuring that additional compliance and enforcement resources are available to deal with the anticipated increase in compliance deficiencies and to address issues with enforcement action where warranted.** Otherwise, regulatory requirements simply provide the illusion of investor protection.
- 6.15. The current risk-based approach to compliance oversight may result in the new "high risk" firms (such as crowdfunding portals) being reviewed while those that would previously have been high risk may no longer be captured in this category. With the same or a similar level of resources but a greater number of exemptions and greater number of financial consumers to whom to market and sell exempt products, the risk of mis-selling increases as does the potential for investor harm. **Accordingly, FAIR Canada recommends that the OSC commit to conduct a compliance audit of all registrant firms within a given time period.**
- 6.16. FAIR Canada supports targeted prospectus and continuous disclosure reviews of issuers and investment products and encourages the OSC to go beyond staff guidance with respect to serious compliance deficiencies in appropriate situations so that deterrence is enhanced and unacceptable practices are removed from our marketplace. For example, misleading advertising should not be tolerated.

## **7. Combating Fraud**

- 7.1. FAIR Canada strongly supports the OSC's commitment to have earlier identification of fraud and other securities law violations that harms investors.
- 7.2. FAIR Canada supports the institution of the OSC's proposed whistleblower program and has provided comments on the proposal which we encourage the OSC to consider.
- 7.3. **FAIR Canada encourages the OSC and other regulators to not only institute a whistleblower program, but also to prioritize the collection of better information about investors' experience with investment fraud and publicize the same.** We note the lack of meaningful statistics regarding investment fraud in Canada. Better empirical information would assist regulators in many ways and we recommend that there be better collection and publication of information including the number of investment fraud complaints the OSC receives (including from seniors), investigations and enforcement proceedings.
- 7.4. It will be important for the OSC to be able to demonstrate that the whistleblower program has improved the number and quality of tips it receives. As part of this, it should track and disclose the number of tips and other complaints it now receives and those it will receive in the future upon implementation of the program.

- 7.5. **We recommend that the OSC work with its CSA colleagues to develop a better registration check system.** We question the utility of the current website for retail investors. There is a need for a single, comprehensive tool that would allow investors to check the securities regulatory background of a potential advisor or investment firm. FAIR Canada calls for a user-friendly, one-stop tool where investors can access registration, disciplinary and background information (including proficiency and SRO membership) regarding advisers, dealers and their respective registered persons. Investor testing should be conducted to ensure the system is user-friendly and generates meaningful, helpful results. The current system is simply not helpful to the investing public, but regulators continue to expend efforts to direct people to it.
- 7.6. We also note that regulators need to address the situation that an investor may increasingly find that the person selling them an investment is not registered. If the exempt market continues to expand, and in particular to the retail investor, what message should he or she be given in order to protect them so that they can distinguish the legitimate exempt product from a fraudulent scheme?

## **8. Investor Complaints and Compensation**

- 8.1. **FAIR Canada recommends that the OSC add improvement of the investor dispute resolution system as a priority for 2015-2016, to ensure that the system provides a meaningful service for retail investors.**
- 8.2. FAIR Canada believes that securities regulators must address the issues that have arisen as a result of weaknesses inherent in the “name-and-shame” system of dispute resolution for investment complaints and the problem of low-ball offers to settle that have been noted by the Ombudsman for Banking Services and Investments (“OBSI”). A firm who announces they will not compensate its customers no matter what OBSI’s conclusions demonstrates that there is a lack of willingness to deal “fairly, honestly and in good faith”. Similarly, taking advantage of the weakness of the system to provide a low-ball offer to a consumer, thereby threatening to refuse to compensate for a fair amount, demonstrates a weakness inherent in the system. This must be addressed.<sup>5</sup>
- 8.3. Compensation is the top priority for investors who suffer losses because of violations of the securities acts. FAIR Canada recommends that the OSC prioritize investor compensation in 2015-2016, whether through section 128 orders or through a review of other means by which the OSC could assist investors in obtaining compensation.
- 8.4. The OSC should work with other regulators and OBSI to provide a single point of entry for a financial consumer’s complaint so that they do not have to navigate on their own through the regulatory labyrinth in order to have their concern addressed. The individual’s complaint should

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<sup>5</sup> For FAIR Canada’s position on independent dispute resolution see FAR Canada’s letter dated December 8, 2014, *The Cooperative Capital Markets Regulatory System – Governance and Legislative Framework*, at footnote 1, at p 4-5, available online at <http://faircanada.ca/wp-content/uploads/2011/01/141208-FAIR-Canada-final-comments-on-draft-CCMR-legislation.pdf?3a8f0a>.

be guided to the appropriate place for resolution by intake staff trained specifically for this purpose.

## 9. Fixed Income Market Reforms

- 9.1. FAIR Canada supports the OSC's efforts to enhance the transparency and regulation of the fixed income market. Retail investors are important participants in fixed income markets but are disadvantaged given its opacity. Retail investors are largely unaware of the commissions earned by brokers on the bonds they purchase (whether purchased directly or indirectly) and on the trading costs they incur and how this affects their returns. Improvement to market transparency will likely improve price competition, lower investor's transaction costs and improve the fairness and efficiency of the fixed income markets. We welcome steps taken to enhance regulation in order to improve market transparency and better protect investors' interests.

FAIR Canada notes that we have made substantial comments in prior years' submissions in response to the OSC's draft statement of priorities that have not been addressed. We believe these suggestions are important and remain very relevant, and urge the OSC to consider unaddressed recommendations.

We thank you for the opportunity to provide our comments and views in this submission. We welcome its public posting and would be pleased to discuss this letter with you at your convenience. Feel free to contact Neil Gross at 416-214-3408/ [neil.gross@faircanada.ca](mailto:neil.gross@faircanada.ca) or Marian Passmore at 416-214-3441/ [marian.passmore@faircanada.ca](mailto:marian.passmore@faircanada.ca).

Sincerely,



Canadian Foundation for Advancement of Investor Rights